

**Top Secret** 219

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 8 September 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Thursday, 8 September 1977.

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The NID Cable is for the purpose of informing senior US officials.

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USSR-PLO: Two-Stage Geneva Talks

25X1 [ ] The Soviets used their talks with Palestine Liberation Organization chief Yasir Arafat to return to the idea of a two-stage Geneva conference, which was first proposed in a Soviet statement in April 1976. After that statement, the Soviets took the position that the PLO would take part in both stages of the conference, but Soviet commentary now suggests that the preliminary or organizational phase could be held without the Palestinians.

25X1 [ ] Arafat reportedly told the Arab ambassadors in Moscow last week that Soviet officials had assured him that, whereas Moscow would attend the procedural stage of the Geneva conference without the PLO, it would boycott the substantive stage if the Palestinians were not invited. The communique following Arafat's talks in Moscow also omitted any reference to PLO attendance at the first stage of a Geneva conference, and Soviet commentary has ignored Arafat's references to Palestinian participation at any resumption of the conference.

25X1 [ ] A Soviet academician told a US Embassy officer on 2 September that the omission of such a formulation on Palestinian attendance was "very significant." Such a formulation was a major part of Soviet government notes and statements on Geneva in 1975 and 1976. Soviet President Brezhnev, in a comprehensive statement on a Middle East peace settlement earlier this year, gave only cursory attention to the Palestinian question and omitted any reference to Palestinian participation at Geneva.

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25X1 [ ] The Soviets clearly want to remain vague on key issues prior to the foreign ministers' meetings later this month at the UN General Assembly. Foreign Minister Gromyko will be meeting with Egyptian Foreign Minister Fahmi at that time, and the Soviets may reveal publicly their current position on a resumption of the Geneva conference. [ ]

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AUSTRALIA: Northwest Shelf Gas

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*[redacted] //The Australian government has announced that it will permit the huge natural gas deposits off the northwest coast to be developed and that it will also allow the natural gas that is produced to be exported. The new policy will enable Australia to become a major exporter of liquefied natural gas by the mid-1980s, with potential exports of nearly 1 billion cubic feet per day for a period of 20 years.//*

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*[redacted] //Prime Minister Fraser's decision to allow the exports reverses the previous government's policy. Would-be participants in the exploitation of Australia's natural gas have held that export markets are essential to development. Canberra will now permit the export of up to 53 percent of the*

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Northwest Shelf's currently known reserves. So far, proved and probable reserves have reached more than 12 trillion cubic feet, about one-third of the country's gas reserves. Some experts believe that the shelf could hold as much as 40 trillion to 50 trillion cubic feet of gas.//

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[ ] //Shelf gas not exported will be reserved exclusively for use in developing Western Australia, a state with great economic potential but sparse population. A 1,370-kilometer pipeline will be built from the northwest coast to Perth, Western Australia's largest city. Gas needs of Australia's eastern cities, which contain most of the population, will continue to be met from fields in Queensland, South Australia, and the Bass Strait.//

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[ ] //The shelf exploitation will be the largest single resource project in Australian history, requiring an overall investment of more than \$3 billion. In addition to liquefaction facilities and LNG tankers, plans call for at least two offshore production platforms connected to land by a 120-kilometer seabed pipeline. Japanese planners have already included nearly all of the project's potential production in their estimates of Japanese LNG supplies in 1985.//

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[ ] //Prospects for progress on the project are bright, especially since Australia's largest company--Broken Hill Proprietary, Ltd.--and Shell Australia have joined forces. Even though Australia's foreign investment policy limits foreign participation in a resource project to 50 percent, Canberra is allowing the Shelf consortium's foreign partners to retain their 52-percent share.//

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[ ] //Canberra has also aided the project by exempting all resource projects involving capital expenditures of \$500 million or more from any restrictions that may be imposed on overseas borrowing, by extending the current 20-percent investment allowance, and by introducing new income tax concessions for petroleum exploration and development. [ ]

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#### SPAIN-USSR: Communists Counterattack

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[ ] *The Spanish Communist Party is reportedly preparing a new propaganda attack on the Soviets in an effort to reap further domestic benefits as the Spanish municipal elections approach.*

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[ ] The Spanish party's international secretary, Manuel Azcarate, told a US Embassy source last week that his party has every intention of keeping alive the polemic with the Soviets but will stop short of a complete break with Moscow. He candidly admitted that the party was adopting this tactic mainly for the domestic political dividends that are likely to follow.

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[ ] The dispute between the Spanish and Soviet parties--which have been at loggerheads since the Spanish party denounced the Soviet invasion of Czechoslovakia in 1968--flared up again in late June, when an unsigned article in the Soviet foreign policy journal *New Times* attacked the tenets of Eurocommunism as espoused by Spanish party leader Santiago Carrillo in a recent book. The *New Times* article warned that Carrillo's views, if put into practice, would lead to a split in the Communist movement.

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[ ] The spirited defense of Carrillo by his party and modest support received from the Italian and French Communist parties was followed by more Soviet articles, which became gradually less abrasive.

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[ ] The renewed offensive by the Spanish party will come in the next edition of the party's bi-monthly theoretical journal, *Our Flag*. Written by executive committee member Jaime Ballesteros, the draft article responds to the *New Times* attack on Carrillo and sketches previous attempts by Moscow to divide the Spanish party and denounce the principle of Eurocommunism.

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[ ] Ballesteros labels the *New Times* article a form of "ideological terrorism" similar to the treatment of Soviet dissidents, and he accuses the authors of having an obsolete idea of world Communism and of West European reality. He concludes by affirming that the Spanish party will continue to stand behind Carrillo and the principle of Eurocommunism.

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[ ] The Soviet motives for the *New Times* attack on Carrillo were never clear, but if Moscow hoped to drive a wedge between the outspoken Spanish party and its Italian and French Eurocommunist allies, it was disappointed. Nor was Carrillo's authority within his own party undermined.

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25X1 [ ] On the contrary, the Soviet diatribe rallied the Spanish Communists around Carrillo and buttressed the party's claims of independence from Moscow. Spanish Communist leaders maintained, in fact, that if the attack had come prior to the Spanish parliamentary election on 15 June, their electoral fortunes might have been better.

25X1 [ ] It seems to be this sentiment that has led the Spanish party to try to goad the Soviets--who have of late adopted a more cautious tone--into lashing out again. Municipal elections are due to be held in Spain before the end of the year, and the Communists are anxious to regain some of the ground they lost to the Socialists in June. [ ]

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#### RHODESIA: Kaunda and the Settlement

25X1 [ ] *The African front-line presidents generally support the British-US settlement proposals on Rhodesia that were announced last week, although they are awaiting a response from Rhodesian Prime Minister Smith. Surprisingly, however, Zambian President Kaunda, long a steadfast supporter of a negotiated settlement and an active participant in the British-US initiative, has been highly critical of the package for not going far enough and already is anticipating that Smith will reject the proposals.*

25X1 [ ] In a speech honoring visiting Nigerian Head of State Obasanjo, Kaunda described the settlement package as a "non-starter." He criticized the proposals for not specifying what actions the US and UK would take if Smith rejected the package, or how Smith would then be forced from power.

25X1 [ ] Kaunda added that the package should have been presented to Smith with a timetable that would have stopped the flow into Rhodesia of oil that evades international sanctions. His remarks concerning an oil embargo, long a favorite theme of his and one the presidents may pursue, were probably aimed at eliciting help from Obasanjo as the head of an OPEC member state.

25X1 [ ] Kaunda's criticism, although not indicative of the other front-line presidents' views of the British-US effort, does mirror the presidents' concern that Smith will reject the



proposals and proceed with his own internal settlement plan. Kaunda is clearly looking beyond a Smith turndown and is putting the US and UK on notice that the presidents will expect tougher pressures from the West if the current proposals fail--including strong action against South Africa, through which Rhodesia's oil passes.

25X1 [ ] Kaunda also sees an internal settlement leading to prolonged and even bloodier war in Rhodesia, and the possibility that black nationalist leaders might emerge in an internal settlement that he does not like but whom he might have to recognize. He has always contended that an expanded war in Rhodesia would impact heavily on Zambia's already hard-pressed economy.

25X1 [ ] Although fully committed to expanding the war by supporting increased insurgent operations from Zambia, Kaunda fully expects to face military retaliation from Rhodesia as a result of the increasing insurgent buildup in southern Zambia.

25X1 [ ] The Zambian President's fears were almost certainly heightened last week by a Rhodesian air attack on a Zambian border town. Kaunda reacted with his characteristic impetuosity by ordering a blackout and a curfew for an indefinite period in Lusaka and several key towns that are within range of Rhodesian aircraft.

25X1 [ ] Kaunda's concerns about the future may also result from domestic worries as well. He has been coming under criticism at home for his constant involvement in the Rhodesia issue at a time when political and economic problems are growing.

25X1 [ ]

IRAQ: Government Changes Announced

25X1 [ ] *Iraq recently announced government changes that could indicate a major reorganization is under way. The Revolutionary Command Council--ostensibly the highest legislative body--was expanded from five members to 22, all of whom are members of the Baath Party's regional command.*

25X1 [ ] The shuffle may be the latest in a series of moves designed to strengthen Command Council Deputy Chairman Saddam Husayn's prospects for succeeding ailing President Bakr; it upgrades the positions of Saddam's supporters within the party and brings the Command Council directly under party control. In January the Baath Party's regional command was expanded from 13 to 21 members, and 11 command members were named ministers of state.

25X1 [ ] These ministers--all young, dedicated Baathists loyal to Saddam but with little experience outside the party--are the ones now being shifted to the Revolutionary Command Council. The 11 have at the same time been dropped from the cabinet. The US Interests Section believes the cabinet will now be downgraded to a subordinate executive body.

25X1 [ ] The changes also further isolate and dilute the power of two council members who may be perceived by Saddam as threats-- Communications Minister Sadun Ghaydan al-Ani and Public Works Minister Taha Yasin Ramadhan, who also heads the Peoples Army.

25X1 [ ] The shuffle institutionalizes party control over the highest government body, and it may have been made in response to party pressure for an expanded and more obvious role in the decision-making process. The Revolutionary Command Council may not play a significant role on a day-to-day basis, but it does have symbolic importance and could be a powerful force in determining control of the government in a succession crisis.

25X1 [ ] A relatively important body at the time of the 1968 revolution, the council has functioned in recent years more or less as a rubber stamp, approving government policies made elsewhere without prior consultation. It is not clear whether the expanded council will play a more active role in decision-making.

25X1 [ ] The changes may have policy implications as well. Saddam has been held responsible by both party and public in the past several years for breakdowns in the economy, food shortages, and inflation. The party has also criticized his policy of resuming friendly relations with the more conservative Arab states. Making the party a more open participant in the government could be intended to moderate some of this criticism.

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25X1 [ ] Saddam is usually careful not to upstage or criticize the President, and Bakr apparently is unwilling to challenge Saddam openly. Neither is willing to risk an open break in the party, which could threaten the survival of the regime. There probably was agreement between Bakr, Saddam, and Izzat Ibrahim al-Duri, the Interior Minister and probable number-three man in the regime, on the recent changes.

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#### BRIEFS

##### Panama

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[REDACTED] //Anticipated Panamanian student demonstrations yesterday against the canal treaty were squelched by firm action by the National Guard. Several hundred students from Panama's largest secondary school--which refused Chief of Government Torrijos' invitation to send representatives to the treaty signing in Washington--stoned the Foreign Ministry before being dispersed.//

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[REDACTED] //With Torrijos and his right-hand man, intelligence chief Lieutenant Colonel Noriega, in Washington, the National Guard undoubtedly has standing orders to act forcefully to prevent serious disorders. There were several arrests, and schools were reportedly closed for the day. [REDACTED]

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##### South Africa

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[REDACTED] Students and teachers are boycotting the schools in South Africa's racially tense Soweto township; the schools were scheduled to reopen on Tuesday under direct government

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control. Fewer than 200 students out of a potential secondary school population of 27,000 registered as required by new government regulations. In addition, teachers who were required to sign contracts with the government voted to walk out following alleged police harassment.

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[ ] The militant leadership of the Soweto Students Representative Council has exhorted the students and teachers to boycott the schools. The government may give students until the end of the week to register. In the face of a continued boycott, however, the authorities would have to decide whether to close the schools again and what to do with the teachers, who are now presumably on the government payroll.

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[ ] The government may have added to the problem of getting students back to school by requiring parents to sign a pledge regarding student attendance that would have made parents responsible for damage to school property. Most parents probably would prefer their children to be in school despite their many differences with the government over the quality of education, but most are also unable to pay for property damage.

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[ ]  
Portugal

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[ ] Delegations from the Portuguese Socialist Party and the Socialist International reportedly are pleased with the results of their visits last month to Angola and several other black African states. The visits were intended to demonstrate the growing interest in southern Africa of many West Europeans and their support for southern African liberation movements.

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[ ] Talks between the Portuguese and the Angolans focused on recent efforts to improve relations between both states. Angolan President Neto extended an invitation to Portuguese Prime Minister Soares to visit Angola, and the Portuguese invited Angolan officials to visit Lisbon before the end of the year.

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[ ] On his return to Lisbon, the leader of the Portuguese delegation said that the Angolan Government has released from jail almost all the Portuguese prisoners the Angolans held.

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